

## USAID Assessment of India's Pension Sector

### 1. General Description

- Task Order #811: Assessment of India's Pension Sector
- Start date: September 5, 2001; End date: February 8, 2002; \$197,593

### 2. Program Rationale and Objectives

India boasts one of the world's oldest and largest old age income security systems. The current state of pensions is the result of individual plans developed and amended over several decades, rather than of a comprehensive and coherent approach to old age income security and social protection, based on a set of guiding principles. This has resulted in gaps of coverage in several areas, and duplication of coverage within various programs in other areas, meaning that limited resources are not being targeted successfully to vulnerable segments of the population. Similarly, income generated through existing programs is inadequate for many retirees, and often does not provide for protection against the risks of longevity and inflation. Further, due to massive and mounting fiscal liabilities of civil service pension programs in particular, the long-term financial sustainability of some pension programs is also threatened, resulting in an unduly heavy financial burden on the Government. Restrictions on investment options do not facilitate capital market development and economic growth. Other problems include the lack of a consistent legal and regulatory framework, poor administration, lack of portability between pension schemes, and fragmentation of responsibilities for oversight and implementation. *As a whole, India's various old age income security programs are not achieving the intended objectives of: providing adequate old age income, covering needy segments of the population, ensuring financial sustainability of programs, and, the secondary objective of contributing to economic growth.*

In addition to providing old age income security, one of the most important impacts of pension reform in India will be the mobilization of savings for investment in the capital markets. India's capital markets have long been starved of long-term investment capital typically provided by institutional investors such as pension funds, and others, with long-term investment goals. *India's companies need access to this long-term capital to modernize and to become more efficient so that they can compete in the global economy.* Countries without long-term capital investment will remain at a severe disadvantage. Thus, both the pension participants and India's progressive companies will be beneficiaries of improved pension schemes and capital markets.

USAID is in a unique position to provide needed resources and technical expertise to facilitate successful, appropriate, and lasting reforms to the national pension system. However, the key challenge is to determine where potential USAID interventions will be most effective and appropriate. Recognizing the importance of these issues, USAID issued a Task Order focusing on the pension sector. The overall objective is to assist USAID/India to gain a comprehensive understanding of Indian pension systems and develop a framework for intervention in line with USAID/India's overall country objectives. The assessment was to feed into USAID's five-year development strategy, which was due to be reviewed in December 2001.

### 3. Activities Completed To Date

The Deloitte Team's activities focused on the following areas:

1. Legal, policy, and regulatory framework for private pensions
2. Advocacy, education, and consumer protection
3. Training and research

4. Existing pension scheme reform initiatives
5. Civil service pension scheme reform

The Deloitte Team first undertook a detailed evaluation of India's pension programs, measured against the four objectives of income, coverage, sustainability, and economic growth, described in Section 1. Overall, the evaluation revealed that India's pension programs fall far short of these objectives.

- *Income:* Old age income for the majority of India's private sector workers is low. Incomes for retiring civil servants are higher, but at the expense of other public expenditures since pension are paid from central and stage budgets, while pension liabilities are expected to increase over time.
- *Coverage:* Only about 10 percent of India's entire labor force is covered by any pension program, and virtually the entire informal sector – that which is the most vulnerable – is completely uncovered.
- *Financial Sustainability:* Some private sector pension programs are sustainable due to their structure, but rates of return are fixed, creating an implicit liability. The civil service pension programs are not sustainable.
- *Economic growth:* Investment restrictions on private pension funds crowd out private investment, unfunded government pension programs take money away from other valuable public investments, and civil service schemes provide limited mobility which decreases overall economic efficiency.

Next, the Deloitte Team conducted a Needs Assessment, or Gap Analysis, for each of the five areas listed in Section 2 above. Based on these analyses, the Team identified a wide array of short, medium, and long-term options for USAID intervention. Although the Team identified numerous areas for potential USAID intervention, it was recognized that USAID must make productive use of limited resources. Therefore, the Team evaluated each intervention option against a set of common screening criteria, such as (1) comparative advantage of USAID vis-à-vis other donors, (2) fit with overall USAID country objectives, (3) likelihood of achieving sustainable results, (4) cost of proposed intervention vs. expected results, (5) priority of intervention, and (6) ease-difficulty of implementation (presence of "champion" within Government, need for legislative changes, need for coordination with other agencies, etc).

Based on evaluation of each intervention option, the Deloitte Team developed a set of final recommendations for USAID intervention, including a detailed description of each intervention, rationale, and general cost estimates. In addition, the Team provided USAID with an Implementation Action Plan, or Roadmap, which suggests sequencing and timing of the recommended interventions.

#### **4. Results Achieved – Tangible Benefits**

In summary, the Deloitte Team's recommendations offer USAID a comprehensive, integrated and broad range of opportunities for intervention, including opportunities to:

- Get involved in a broad range of issues at both strategic, high-level and targeted, operational levels
- Intervene at several funding levels, depending on USAID's resource constraints
- Undertake short-term interventions that yield immediate results, as well as interventions that require a deeper and more sustained level of involvement, yielding broad and lasting results

*India's patchwork pension systems are a major obstacle to financial and economic development. An integrated assistance program such as what we suggested would also enable USAID to meet its strategic objectives of fostering financial sector development, private sector growth, contributing to capital markets development, reducing poverty and building institutional capacity.*

## West Bank – Gaza Accounting Reform Project

### 1. General Description

- Start date November 1999, End date October 2002, Task Order amount \$3.2 million

### 2. Program Objectives

In 1999, USAID initiated a program for development of the Accounting and Auditing Sector of the Palestinian Society addressing three core areas: Training, Educational Reform, and Regulatory Reform. Accounting reform is fundamental to attract international investors and to ensure greater transparency required by shareholders. If economic growth and private sector development are intrinsically related to development then accounting reform is fundamental to the increased flow of foreign direct investment and the development of a national capital market. In addition to these benefits accounting reform is fundamental to economic good governance and supports democratic governance by ensuring greater transparency as well as develops new private NGOs such as self-regulatory accounting and audit associations which are important actors in the development of civil society.

Adoption of International Standards on Accounting, Auditing, Education, norms of self-regulatory organization was the primary objective of the Program. Multiple constituencies were to be addressed including academia, professional organizations, regulators, as well as users of financial information. A broad integration of International Standards into the operating as well as the intellectual environment was to occur, as well as encouragement of the Palestinian Profession to raise its presence in the international community. Participation in the International Federation of Accountants activities was planned. *The Palestinian Authority is an entity that is seeking to achieve its sovereignty as a Palestinian State. In this context participation and recognition by international bodies such as the International Federation of Accountants or the International Accounting Standards Board (IASB) and the Institute of Management Accountants (IMA) are all important to the Palestinian goal of statehood.*

### 3. Activities Completed to Date

To date the Program has addressed all areas in the Scope of Work.

International Standards on Auditing and International Accounting Standards have been translated and adapted for local national use. Several textbooks have been published, in cooperation with leading Professors.

Accounting law will be passed shortly and progress has been made with two self-regulatory professional accounting and audit organizations.

University level curriculum has been developed and taught at major Palestinian Universities. Textbooks on international auditing and accounting have been developed, translated and published.

A process of association with the International Federation of Accountants (IFAC) has been initiated and it is expected that Palestine will be admitted later this year. Similarly, joint activities and a dialogue have been initiated with the IMA and the IASB.

Training: *Over 26 man-years of “continuous professional education” seminars have been provided to participants throughout Palestine, with over 1200 people being trained in 2001 alone.* Skill building as well as knowledge up dating have been the themes of these seminars. Courses have focused on International Accounting and Auditing standards. Three course utilizing International Accounting and

Auditing standards have been added to the University curricula. Several hundred students, many of which are now in the work force attended these courses. In addition to learning directly about International Accounting Standards, students have learned how to use financial reports and to identify the implications for positive corporate governance. Local Professors have published five Arabic texts on International Accounting and Auditing Standards. *These texts are now recognized throughout the Middle East as some of the best materials available in Arabic on these topics.* The has also translated and introduced a leading USA text on Ethics for Accountants and Auditors. This text is unique in the region.

#### **4. Potential Next Steps**

The local operating environment conditions during the course of the program have been very challenging. Despite these conditions the program has maintained offices in Ramallah and also an office in Gaza. There are a few areas that will need concerted attention to achieve the objectives of the program. These include:

**Accounting Law Implementation:** The accounting law is ready to be passed. We expect it to be passed by the summer. This will require a major effort to follow up on the implementation of the law. Some of these areas include a major program to be initiated by the two existing accounting and auditing organizations to provide support to accountants and auditors and enterprises for the conversion of accounts to international accounting standards. This will also be supported by the on-going translation of the International Accounting Standards into Arabic which will be completed by early summer.

**SRO Development:** Development of the accounting and audit associations into full fledged SROs will require an intensive technical assistance effort. These organizations may need to be merged into one, or form one Palestinian organization that will then be recognized by IFAC, IASB and IMA. They will need to upgrade programs for the certification of accountants and auditors in the areas of international accounting and auditing standards. They will need support to develop into self -sustaining professional bodies.

**Curriculum Development & University Twinning:** Although considerable progress has been made in developing new curriculum in international accounting and auditing at major universities, there is more to be done. One area that could deepen this and create a long-term process of curriculum development will be to find a U.S. university that will twin with the Palestinian Universities to provide training and support in curriculum development. This type of effort could seed a long-term relationship(s) between U.S. and Palestinian Universities.

To accomplish these next steps will require at least another 18 months of the Program. We look forward to implementing these next steps.

## **Financial Sector Review and Strategy**

### **1. General Description**

- Task Order: #1, Start date September 2001, End date May 2002, Amount \$299,237

### **2. Objectives**

The specific objectives of this T.O. include:

- Review the reform of the International Financial Architecture
- Review Domestic and International Players
- Review USAID's Financial Sector Portfolio
- Assessment of EM's role
- Development of Options for EM
- Conduct a forum

### **3. Activities Completed to Date**

The team consists of three Level I, senior financial analysts: Millard Long, Gillian Garcia, and Alan Batchelder. The team is managed by Teresa Mastrangelo and supported by three Level III financial analysts, Collin Keeney, Yoon Young Chung, and Stephen Carpenter. The project's effective contract date was September 24, 2001. The team began work in Washington with a kick-off meeting in early October with the CTO, John Carihfield, Skip Kissinger, and Stephen Hadley. A pwork plan was submitted and each senior financial analyst allocated a task area to lead. In addition to individual research and writing, two full team working sessions were held beginning October 22, 2001 and again approximately two weeks from January 3. These included intensive interviews and brainstorming sessions.

As of March 11, 2002, each of the senior analysts have:

- Conducted a research of relevant literature
- Interviewed intensively
- Presented their findings to USAID
- Drafted written reports

for the first 5 tasks of the scope of work. Initial discussions of options and conclusions have begun with the Office of Emerging Markets.

In addition, the Level III analysts have built two databases: one of all USAID financial sector activities from 1988 to present; and a second of the financial sector technical assistance provided by 25 multilateral, bilateral, and private sector players in financial sector development.

### **4. Results Achieved – Tangible Benefits**

- Weekly progress meetings with CTO.
- Oral presentations of each of the three major tasks with between 15 and 25 USAID personnel attending each. These resulted in lively dialogue and engagement with wider audience .
- Completed interviews with over 40 people from USAID, US Treasury, US SEC, World Bank, IMF, UK Dept for International Development, embassies of bilateral donors
- Compiled extensive bibliography and list of relevant websites in support of the research undertaken

**Expansion:** The original task order completion date has been extended for 60 days, through May 23, 2002. In addition, a modification for the task order is currently under negotiation. This will expand the scope of the strategy work, with the addition of two team members, to include preparation of specific case studies.

**Problems Encountered:** Collection of data required to undertake review of USAID financial sector activities to date was significantly delayed. Initial requests for scopes of work, project completion reports, evaluations, and other data as described in the statement of work were made in early October, 2001. Much of the data needed to conduct tasks 3 and 4 was not acquired by the team until early December 2001.

Furthermore, much of the data required for the review of domestic and international players was not readily available. It is our belief that this is the first time a comprehensive comparison of donor activities in financial sector development has been made. (Accordingly, we conclude some international organization, perhaps the OECD, should take on the task of tallying such assistance.) As a result, the written task reports required significantly more time to prepare and revise than originally anticipated.

## **5. Lessons Learned**

In provision of technical assistance for financial sector development, USAID is an important actor, undertaking about 50 projects per year spending between \$60 and \$100 million dollars annually. Viewed in the broader context, the international financial institutions and bilateral agencies taken together are providing roughly \$700 million per year in TA. USAID's contribution is roughly one tenth of the total. However, that understates USAID's relative importance in particular countries (transitioning countries of Europe and Eurasia (E&E), Egypt) and in the areas of support (banking supervision, securities market development, and micro finance) on which USAID has focused its efforts. Furthermore, many of USAID's contractors are providing services to other donors as well, allowing for cross fertilization of approaches, ideas and concepts.

USAID's objective for financial sector development has been sound in the past and consistent with objectives of other development participants. That is, a well functioning financial system in a developing country makes a major contribution to economic development through encouraging savings, allocating available resources to productive investments with reasonable returns, diversifying and pricing risk, and providing financial services across economic and geographic areas, to both rich and poor, rural and urban, large and small firms. Successful financial sector reform supports long-term economic growth and stability.

While conclusions are still being formulated in the project, some initial strategies have been proposed to EGAT/EM:

1. At the country level, USAID should use formal assessments, such as output from the joint IMF/World Bank Financial Sector Assessment Program or from a structured country topology to choose which technical assistance projects to support, taking into account country characteristics and the activities of other donors. Among other tasks, implementation of this strategy will require more donor coordination
2. The Office of Emerging Markets in the EGAT Bureau should take on a more active role in ensuring that the projects chosen are well implemented. Some activities that are best implemented by a central unit at USAID have been identified. Implementation of this strategy will require continuation of existing contracting mechanisms, improving and maintaining an

information database and website, requesting CDIE to undertake evaluations, and better, more proactive interaction between EGAT/EM, other offices, the missions, and other USG agencies, developing training for economic growth officers and conducting conferences on lessons learned.

3. The Office of Emerging Markets should become a “center of excellence” and strive for eminence in pursuing technical assistance areas which are new for USAID and reflective of global trends. Some examples include: emphasis post 9/11 on anti-money laundering and terrorist financing; rapid technological change; globalization; the needs of small economies (regionalism); pension reform; etc. Implementation of this strategy might include issuing new umbrella contracts, drafting sample scopes of work for the field, undertaking targeted studies, setting some guidelines for what might be included in design of new financial sector development projects.

## **USAID Romania Financial Markets Reform Project**

### **1. General Description**

- Task Order: Financial Markets Reform Project
- Start date: October 1, 2001; End date: September 30, 2003; \$3.7 million

### **2. Program Rationale and Objectives**

Since the mid-1990s, Romania's financial markets have been caught in a vicious cycle caused by an inconsistent and poorly enforced legal and regulatory framework, a lack of transparency and protection for the rights of minority shareholders, and the financial and operational difficulties faced by the country's over-the-counter stock exchange, RASDAQ. This situation has created economic stagnation and prevents Romania from achieving lasting economic and social development. The problems faced by the country's financial markets are of particular concern to USAID, which invested some \$26 million in the early 1990s to help create a regulatory framework and establish the RASDAQ trading system.

The goal of the Financial Market Reform activity is to help break the vicious cycle of economic stagnation by simultaneously addressing key issues at four levels - 1) overall reform objectives and strategy, 2) legal and regulatory framework, 3) institutional capacity building, and 4) market structure and depth. By doing so, it will help restore Romania's credibility, attract foreign investors to the market and thus improve liquidity. These results should lead to faster, and more stable and sustainable, economic growth. The Financial Markets Reform project is designed to address both the causes and the symptoms of stagnation. Causes include limited institutional capacity and a lack of political will as well as an inadequate legal framework, while symptoms include the presence on RASDAQ of thousands of non-compliant, often moribund former state-owned enterprises and the resulting damage to other RASDAQ-listed companies. Other symptoms include lax regulation, widespread abuse of minority shareholders' rights and a lack of innovative financial instruments. The project design is unique in two respects. First, it aims both to lay a conceptual and legal foundation for subsequent development and to accomplish specific, tangible actions such as the transfer of some RASDAQ-listed companies to the Bucharest Stock Exchange (BSE) and the suspension of others. Second, the project has wisely been made conditional – if the required political commitment is not evident, further assistance will be cancelled.

The Romania Financial Markets Reform project comprises four interrelated “workstreams”: 1) Building political will and instituting legal reform, 2) feasibility studies and assessments related to the future of RASDAQ vis-à-vis BSE, 3) specialized legal and judicial assistance, and 4) development of new financial instruments. While there is a need to address long-term, structural issues in a logical, top-down manner, this must be balanced with the need to rapidly achieve tangible results and address urgent problems in the market. Our work must also be coordinated closely with the Government's own initiatives and those of other donors operating in the financial markets arena.

### **3. Activities Completed To Date**

The core team began work in Bucharest November 5, although the COP and Project Manager coordinated start up activities in Washington. The Project Manager spent two weeks in Bucharest prior to November 5<sup>th</sup>. The start up period was characterized by reviewing objectives with project stakeholders including USAID Mission/Romania. Team efforts focused on organizational developmental activities with local stakeholder organizations. Noteworthy activities completed to date include the following:

- Formal project “Kick Off” meeting held November 13 with USAID Mission/ Romania.

- Project “Framework Review” completed December 13, with USAID Mission/Romania.
- Conducted 35 research interviews with Romanian financial institutions.
- Completed Feasibility Study #1 in February, 2002 – an evaluation of the likely economic, social and political implications of suspending or delisting a large number of moribund or noncompliant companies currently listed on RASDAQ.
- Letters of Agreement drafted and signed by USAID and most major stakeholders in the financial markets reform process, including CNVM (the Romanian SEC), RASDAQ, BSE, Association of Broker Dealers and others

Further activities now underway and scheduled for completion by mid-2002 include the following:

- Based on results of Feasibility Study #1, draft revised outline and schedule for Feasibility Study #2, concentrating on the future of RASDAQ and what actions can be taken to ensure its sustainability and improved financial performance
- Conduct a comprehensive legal and regulatory review and recommend amendments and/or new legislation to make the framework more transparent, consistent and conducive to equitable and sustainable economic growth
- Conduct a market study to determine the feasibility of launching new financial products, such as certain types of municipal bonds, and developing a secondary market for government debt.

Moreover, it is expected that by the second half of 2002, the team will begin providing hands-on technical assistance directly to RASDAQ, BSE and listed companies that wish to improve their reporting and governance in order to achieve higher listing status on the exchanges.

#### **4. Results Achieved – Tangible Benefits**

The multiple problems facing Romania’s capital markets are complex, interrelated and rooted in the country’s political power structures. The main ways in which the Deloitte team has so far helped USAID/Romania to further the reform process are by identifying and framing the underlying constraints to reform and by building a degree of political consensus in support of reform among the key stakeholder organizations. While not quantifiable, the fact that we have helped USAID sign letters of agreement with each of the stakeholders is an excellent and necessary first step. USAID’s influence and credibility among these organizations was damaged when it pulled out of the capital markets sector fairly abruptly in the mid-1990s. Working together with USAID/Romania, over the past few months we have succeeded in restoring credibility and reaching a shared understanding of the reform process and objectives with all of the major players.

On a more tangible level, we have completed a preliminary financial and operational analysis of RASDAQ and have provided USAID with a high-level plan for strengthening the exchange by reducing the number of noncompliant companies listed on it.

Going forward, we expect the project to achieve a great deal of success in helping Romania break free of the vicious cycle of economic stagnation in which it now finds itself.

## **USAID AERA Bank Training Program in Thailand: Money Well Spent**

### **1. General Description**

- Thailand – series of bank training projects for various Thai banks in areas such as business planning, credit risk management, general risk management, debt restructuring, etc. Projects were implemented between 2000-2001; two new projects are being implemented now.

### **2. Program Rationale and Objectives**

The Asian financial crisis began in Thailand with the collapse of Bangkok Bank of Commerce. With this event, investors began to suspect, rightly as it turned out, that loans held by Thai banks were worth far less than their face value. Poor credit quality was caused by inappropriate lending practices and insufficient analytical skills among Thai bankers, and exacerbated by weak internal control systems. In preparing an assistance program in response to the crisis in Thailand, USAID reasoned that improving credit risk management capabilities and governance standards in Thai banks would both hasten economic recovery and help prevent another crisis.

With this in mind, a portion of the funds allocated to Thailand under the AERA program (Accelerating Economic Recovery in Asia) were earmarked for bank training and administered by the Kenan Institute Asia in Bangkok. The program was structured to provide hands-on training in the areas of risk management and internal control. The training was both tailored to Thailand's unique situation and based on established best practice. The objective of the program was to help Thailand's commercial banks make better lending decisions and manage risks more effectively, while providing investors with more reliable information. Helping Thailand's banks get back on sound financial footing in this manner would allow them to resume sustainable lending to the real sector, and thus hasten economic recovery and help prevent future crises.

### **3. Activities Completed To Date**

All five private, Thai-owned commercial banks received training and advisory services under the first wave of the program. Four of Thailand's six state-owned banks were also covered under the program, as was the leading state-owned specialized financial institution, Industrial Finance Corporation of Thailand (IFCT), the largest state-owned bank (Krung Thai Bank) and another specialized institution (SIFC). Deloitte implemented training programs at six of the ten institutions. The attached chart summarizes the programs completed or underway at each institution.

To date, the Bank Training Program has achieved remarkable success. This success is largely accounted for by three unique elements that were built into the program from its inception. First, all of the institutions, both public and private, share the cost of the program – each contributes at least 20% of the total cost of the assistance it receives. Second, each institution designed its own training/consulting program with guidance from the Kenan Institute. These two elements together helped to ensure the banks' ownership of the programs and reinforced their responsibility for the programs' success. Third, almost all of the programs involve "train-the-trainer" sessions in which selected bank staff are provided with additional instruction to allow them to deliver the initial training program to their colleagues. This element leverages the resources provided under the AERA program and ensures lasting, positive impact.

### **4. Results Achieved – Tangible Benefits to Thailand's Financial Sector**

The AERA Bank Training Program has so far cost well under \$3 million. For this small sum, over 1200 bank staff have received practical, interactive training on risk management and internal control systems – training designed to bring Thai banks up to world-class standards in these areas. Some of these individuals will go on to train an additional 1800 Thai bankers. The 10 banks that have received assistance under the program control well over two-thirds of all bank assets in Thailand and provide loans to every sector – agriculture, manufacturing, services and small business. *The Program should thus result in substantial improvements in banks' lending and internal control capabilities. This in turn should lead to a robust, stable and healthy banking system that can effectively support sustained economic growth.*

All of the professional fees that USAID paid through the Program went to US firms and their Thai subsidiaries or subcontractors. All participating banks have shown interest in purchasing additional services related to improved risk management. Therefore, the Bank Training Program has resulted in three corollary benefits: First, it generated direct export revenue for US firms and opened additional opportunities in Thailand for these firms. Second, the Program generated both income and knowledge transfer for the Thai consultants that helped to provide training. Third, it raised Thai banks' awareness of the need for continued improvement in risk management and internal control. Finally, the Program received positive publicity in the Thai press and has been recognized by Thai policymakers. Thus, it has strengthened our relationship with Thailand and demonstrated the value that well structured and managed USAID assistance programs can bring.

Of note, in 2001, Deloitte was contracted to conduct a bank training program with BankThai, revising the program to reflect changes in the Thai restructuring environment. Our team is in the process of training eight groups of over 240 staff. With the formation of a national Asset Management Company, and the accompanying transfer of BankThai NPLs to the Thai AMC, the bank is now focused on working closely with its existing clients to developing innovative financing solutions to support their ongoing restructuring efforts. Similarly, we have been contracted to conduct training for staff at Krung Thai Bank (KTB). Our team will be carrying out an assessment, after which they will design and deliver a series of workshops for senior and mid-level bank staff in Credit Risk Management.

## **5. Potential Next Steps – Ideas for Continued Assistance**

As mentioned, training at several institutions is still underway and additional programs are planned for Thailand's largest state-owned bank and an important SME lender. There is every reason to expect that these new programs will be as successful as the current ones have been. Despite the positive impact that the Bank Training Program has generated, it has not addressed two fundamental problems that continue to hinder Thailand's economic recovery. USAID technical assistance could be very effective in helping Thailand to address these problems:

1. *Debt restructuring assistance:* While private banks have made progress towards resolving bad debts, Thailand's state-owned banks have been far less successful. State-owned account for more than 60% of all non-performing loans. Yet these institutions could play an important role in economic growth by channeling funds to under-served but important sectors such as agriculture and small business. USAID could help by providing training and advisory services on debt restructuring to state-owned banks in Thailand.
2. *Implementation-oriented risk management advice:* A bank's risk management capability consists not only of individuals' skills, but also the policies and procedures under which they exercise those skills. The Training Program has addressed only the "people" side of the equation – the banks now face the challenge of addressing the "process" side. USAID could help by providing targeted consulting assistance to state-owned banks to help them upgrade risk management policies and procedures, in order to ensure that their staff have the opportunity to apply the new skills they have learned through the Bank Training Program.